

Kentucky Power Company
 Advertising Expense
 Twelve Month Ending 6/30/2005

Acctg Date	Voucher ID	Vendor Name	Invoice #	Account	Amount	Safety	Education	Institutional	Description
2004-10-07	00102258	WYMT-TV	092004BILLING	9301010	8,050.00			8,050.00	Sno-Go and Mtn. Classic
2004-07-14	00466387	INDEPENDENT. THE	3900	9301010	489.36		489.36		"Weathering the Storm" Ad
2004-10-20	00480584	OLDIES RADIO NETWORK	54	9301010	372.10			372.10	Golf Tournament Ad
2004-12-13	00488376	WYMT-TV	00004361R	9301010	2,500.00			2,500.00	Guest Weather Ads
2004-07-02	00591127	MARKETING SERVICES BY VECTRA	206495	9301015	1,714.62		1,714.62		Printing of Consumer Circuit Newsletter
2004-07-12	00593502	NATIONAL YELLOW PAGES MEDIA LLC	23023	9301015	2,588.40		2,588.40		Yellow Pages Ad/Placement
2004-07-29	00599741	MARKETING SERVICES BY VECTRA	206921	9301015	1,740.12		1,740.12		Printing of Consumer Circuit Newsletter
2004-08-09	00602811	NATIONAL YELLOW PAGES MEDIA LLC	23232	9301015	519.00		519.00		Yellow Pages Ad/Placement
2004-08-09	00602815	MARKETING SERVICES BY VECTRA	207117	9301015	1,761.13		1,761.13		Printing of Consumer Circuit Newsletter
2004-09-02	00610868	MARKETING SERVICES BY VECTRA	207899	9301015	1,997.82		1,997.82		Printing of Consumer Circuit Newsletter
2004-09-13	00611959	NATIONAL YELLOW PAGES MEDIA LLC	23275	9301015	708.00		708.00		Yellow Pages Ad/Placement
2004-10-07	00621819	NATIONAL YELLOW PAGES MEDIA LLC	90022	9301015	290.91		290.91		Yellow Pages Ad/Placement
2004-11-03	00631777	MARKETING SERVICES BY VECTRA	209916	9301015	1,727.79		1,727.79		Printing of Consumer Circuit Newsletter
2004-11-11	00634390	NATIONAL YELLOW PAGES MEDIA LLC	23637	9301015	1,176.20		1,176.20		Yellow Pages Ad/Placement
2004-11-17	00625358	NATIONAL YELLOW PAGES MEDIA LLC	23317	9301015	1,547.40		1,547.40		Yellow Pages Ad/Placement
2004-12-01	00641292	NATIONAL YELLOW PAGES MEDIA LLC	23689	9301015	1.69		1.69		Yellow Pages Ad/Placement
2004-12-13	00645405	NATIONAL YELLOW PAGES MEDIA LLC	23702	9301015	3,925.80		3,925.80		Yellow Pages Ad/Placement
2004-12-14	00628390	MARKETING SERVICES BY VECTRA	209687	9301015	1,996.42		1,996.42		Printing of Consumer Circuit Newsletter
2005-01-19	00658366	MARKETING SERVICES BY VECTRA	211682	9301015	2,106.15		2,106.15		Printing of Consumer Circuit Newsletter
2005-01-19	00658367	MARKETING SERVICES BY VECTRA	211681	9301015	2,106.15		2,106.15		Printing of Consumer Circuit Newsletter
2005-01-21	00659429	NATIONAL YELLOW PAGES MEDIA LLC	23757	9301015	539.40		539.40		Yellow Pages Ad/Placement
2005-01-25	00660033	MARKETING SERVICES BY VECTRA	211876	9301015	2,106.15		2,106.15		Printing of Consumer Circuit Newsletter
2005-03-02	00672908	MARKETING SERVICES BY VECTRA	213272	9301015	2,130.59		2,130.59		Printing of Consumer Circuit Newsletter
2005-03-31	00683061	MARKETING SERVICES BY VECTRA	213835	9301015	2,105.59		2,105.59		Printing of Consumer Circuit Newsletter
2005-04-01	00683649	NATIONAL YELLOW PAGES MEDIA LLC	90055	9301015	14.77		14.77		Yellow Pages Ad/Placement
2005-04-14	00688292	NATIONAL YELLOW PAGES MEDIA LLC	90048	9301015	164.85		164.85		Yellow Pages Ad/Placement
2005-05-12	00697601	MARKETING SERVICES BY VECTRA	214773	9301015	2,184.86		2,184.86		Printing of Consumer Circuit Newsletter
2005-06-02	00704599	MARKETING SERVICES BY VECTRA	215457	9301015	2,106.15		2,106.15		Printing of Consumer Circuit Newsletter
2005-06-06	00697604	NATIONAL YELLOW PAGES MEDIA LLC	24071	9301015	977.20		977.20		Yellow Pages Ad/Placement
		Non Ad Specific Advertising Cost			37,921.49		32,991.49	4,930.00	
		Total Account 93010XX			109,628.06	0.00	91,505.96	18,122.10	

4:28 p.m. Wednesday



Staying away from fallen wires.

We depend on power lines to deliver the electricity we use every day. But the same lines that carry reliable power to our homes and businesses also can carry danger. Kentucky Power reminds you to never touch a fallen wire – no matter how harmless it looks. Fallen lines may be energized and could cause fatal injury. Simply stay away, and immediately report the problem to your local emergency service – or call us. Because no matter where a line goes down, **Kentucky Power is there, always working for you.**



**KENTUCKY
POWER**

A unit of American Electric Power

*To report a fallen wire call toll free
1-800-572-1113. To learn more,
visit www.KentuckyPower.com*

LOOKUP

**Be Smart,
Plan Ahead,
and Stay Away**
from all electrical wires.

AEP
**KENTUCKY
POWER**
A unit of American Electric Power
www.KentuckyPower.com

Ashland paper - 3/24/05

Kentucky Power Company

REQUEST

With regard to the \$76,897 test year advertising expenses included in account 921, please provide the following information:

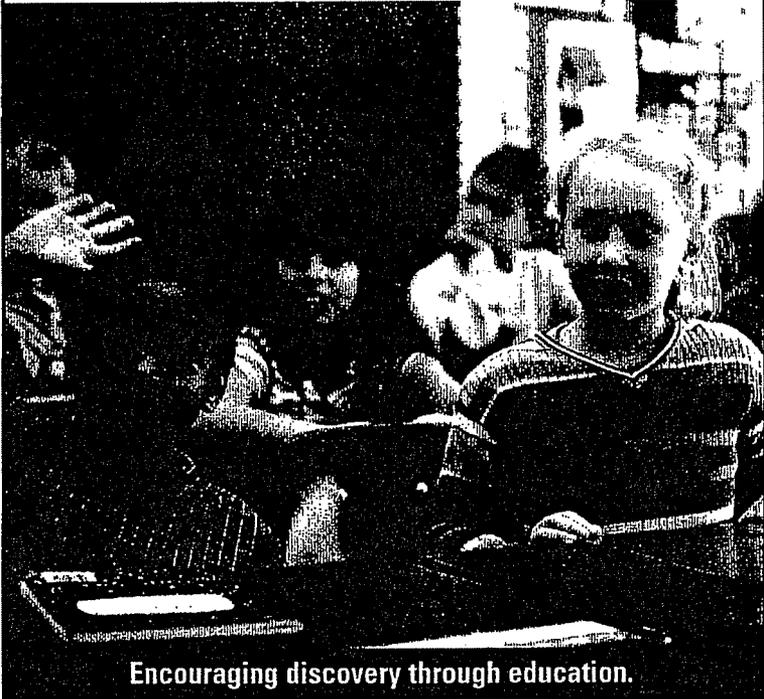
- a. Detailed listing of all advertising expense items making up the total amount of \$76,897, a brief description of the nature and purpose of the advertising expense item, and an indication as to which specific advertising expense items were removed for ratemaking purposes in this case.
- b. Copies of representative ads used in ad campaigns for the advertising recorded in this account.

RESPONSE

- a. Please refer to response AG 1st Set, Item No. 44a. All institutional advertising as shown on the worksheet has been removed for ratemaking purposes in this case.
- b. Please refer to pages 2-10 of this response.

WITNESS: Ranie K Wohnhas

1:15 p.m. Tuesday



Encouraging discovery through education.

Children are eager to explore the world around them. That's why Kentucky Power is helping teachers make learning about science and the environment more fun. Live performances — featuring our safety mascot, Louie the Lightning Bug help teach kids how to use electricity safely. So when it comes to helping children discover more about their world, **Kentucky Power is there, always working for you.**



A unit of American Electric Power

*To learn more about
our work to strengthen
education, visit aep.com*

4:30 p.m. Saturday



Coming together for a strong community.

You know Kentucky Power as the company that keeps power flowing to your home or business, but we are much more. We're a team of people who work to make our community stronger. Whether we're volunteering in the community, educating kids on electrical safety or supporting local festivals, **Kentucky Power is there, always working for you.**

Kentucky Power salutes the organizers and sponsors of the 2004 Black Gold Festival.



**KENTUCKY
POWER®**

A unit of American Electric Power

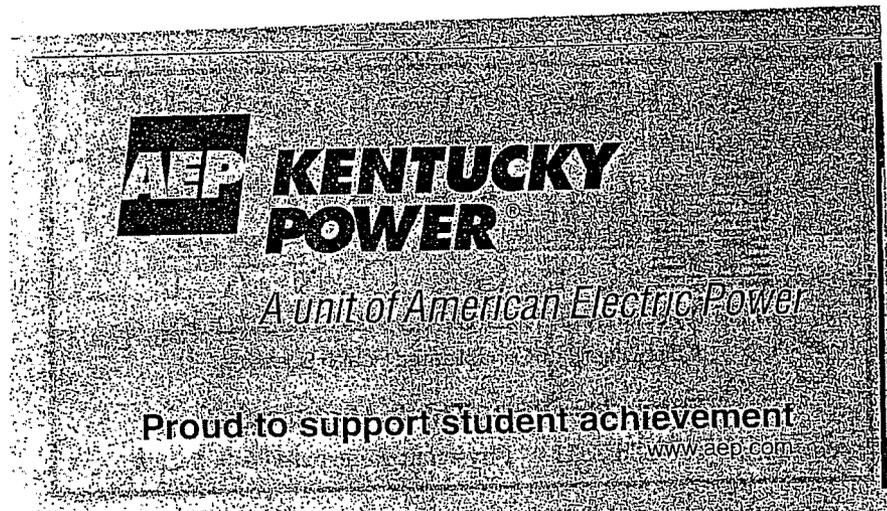
*To learn more about our work in
communities, visit AEP.com to request
a Community Connections report.*



A unit of American Electric Power

*Kentucky Power is proud to
support Ashland's
Paramount Arts Center and its
efforts to bring music, dance,
drama and fine arts to our
community and
Eastern Kentucky.*

Kentucky Power
Ashland . Hazard . Paintsville . Pikeville . Whitesburg
Big Sandy Plant



**A Powerful Connection
To Kentucky Energy Issues**



A unit of American Electric Power

Providing electricity to 175,000 customers, and serving them for more than 85 years, tends to make a company a leader on energy issues.

Add to that the resources and knowledge of American Electric Power, one of America's largest electric utilities - and its largest generator of electricity - and you have an expert in your own backyard.

Kentucky Power's Frankfort Office is here to provide reliable, insightful information on Kentucky's energy issues, regulatory policy and environmental affairs. Call us, we are a powerful connection to Kentucky's energy issues.

Kentucky Power

Frankfort Office

101A Enterprise Drive, Frankfort, KY 40601
502.696.7000 (phone) 502.696.7006 (fax)



A unit of American Electric Power

***Proud to support the
Floyd County Chamber of Commerce and Eastern Kentucky***



**KENTUCKY
POWER®**
Pikeville, KY



Dannio Jackson, Line Servicer, Pikeville

A friend returns.

We're getting closer to our customers every day. We've reintroduced the familiar name Kentucky Power, but our changes are more than symbolic. We're empowering local employees to make local decisions in the communities we serve. For you, the changes mean our employees – your friends and neighbors – are working hard to safely deliver reliable and affordable power to your home or business. Like an old friend who's never been far away, **Kentucky Power** is there, always working for you.

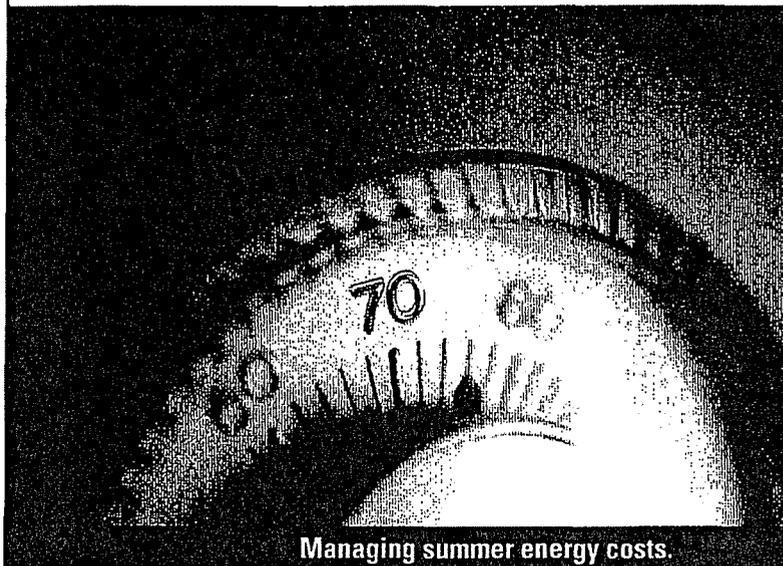


**KENTUCKY
POWER®**

A unit of American Electric Power

www.KentuckyPower.com

2:36 p.m. Friday



Managing summer energy costs.

When warm weather arrives, these energy-saving tips from Kentucky Power can help you stay cool and save money.

- Set your thermostat to the highest comfortable level.
- Close drapes during the hottest part of the day.
- Use energy-efficient cooling systems and check them regularly for safe operation.
- Install adequate insulation to keep out the heat.

When it comes to bringing you affordable, summer comfort, Kentucky Power is there, always working for you.

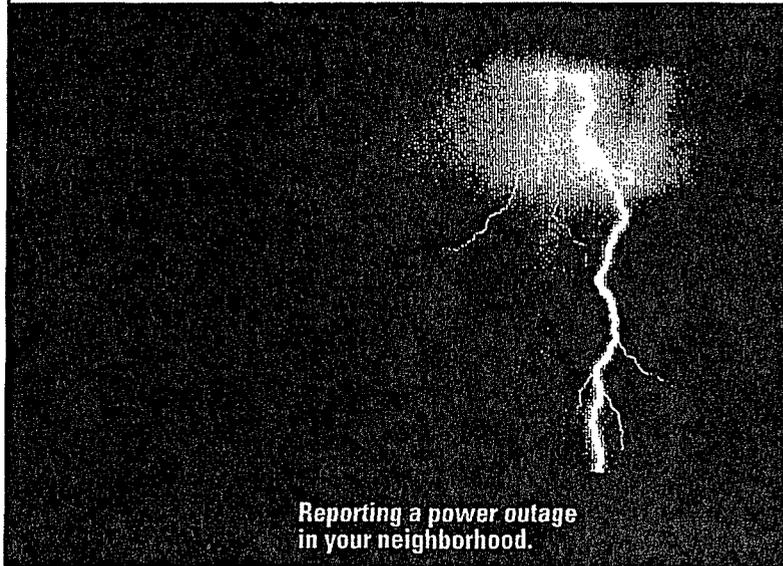


**KENTUCKY
POWER®**

A unit of American Electric Power

For more energy-saving tips
visit www.KentuckyPower.com

2:45 a.m. Monday



**Reporting a power outage
in your neighborhood.**

Storms don't happen 9 to 5. Whether you need your power restored at midnight on Monday or lunchtime on Saturday, Kentucky Power is there to help — fast. After all, we know how important it is to get things moving again. So whenever you need us, any time, any day, count on Kentucky Power. You know we'll be there. **Kentucky Power is there, always working for you.**

AEP
**KENTUCKY
POWER**
A unit of American Electric Power

Never go near fallen power lines. To report a power outage or fallen lines, call toll free 1-800-572-1113. To learn more, visit www.KentuckyPower.com

Kentucky Power Company

REQUEST

With regard to the \$109,628 test year advertising expenses included in account 930.1, please provide the following information:

- c. [sic] Detailed listing of all advertising expense items making up the total amount of \$109,628, a brief description of the nature and purpose of the advertising expense item, and an indication as to which specific advertising expense items were removed for ratemaking purposes in this case.
- d. [sic] Copies of representative ads used in ad campaigns for the advertising recorded in this account.
- e. [sic] Reconciliation of the \$109,628 expense to the advertising expense of \$92,940 listed on line 3 of the response to KPSC-1-30b, page 4 of 23.
- f. [sic] Explain the nature and purpose of the \$13,282 Sponsorship and Contributions amount included in account 930.1, as shown on line 4 of the response to KPSC-1-30b, page 4 of 23 and an indication as to whether this amount has been excluded for ratemaking purposes in this case.

RESPONSE

- c. Please refer to our response to AG 1st Set, Item No. 44-a. All institutional advertising listed on the worksheet has been removed for ratemaking purposes in this case.
- d. Please refer to our response to Staff 2nd Set, Item No. 95.
- e. The \$109,628 is total advertising expenses (including cost not associated with a specific ad) as shown in account 9301. \$71,706 is ad specific advertisement, \$24,640 is non-add specific advertising cost, and the remainder is \$13,282 of sponsorships and contributions which should be excluded for ratemaking purposes.
- f. As referenced in (c) above, the \$13,282 should be excluded for ratemaking purposes but was not in the original filing.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please provide a listing, descriptions and test year expense dollar amounts of all public relations and community relations expenses included in the test year O&M expenses that are not already reflected in the \$290,880 advertising expenses listed in the response to KPSC-1-30, page 1. In addition, indicate in which expense account(s) these expenses are reflected.

RESPONSE

Please refer to page 2 of this response.

WITNESS: Ranie K Wohnhas

Kentucky Power Company
Public and Community Relations Expenses
Not Reflected in \$290,880 Advertising Expenses (KPSC 1-30)

<u>Account</u>	<u>Labor</u>	<u>Outside Services</u>	<u>Material & Supplies</u>	<u>Fleet</u>	<u>Business Expenses</u>	<u>Misc.</u>	<u>Total</u>
1630004	900			33			933
1840040	73,078						73,078
1840041	1,589						1,589
5000000		95	6,416		1,447	303	8,261
5060000		441	1,821			50	2,312
5800000	665			77			742
5870000	1,187			205			1,392
5880000	5,159			990	66		6,215
9030001		105	1				106
9120000			186		3,661	53	3,900
9200000	156,783			(84)			156,699
9210001	35,697	896	5,365	2,553	31,277	422	76,210
9260055	(28,133)						(28,133)
9301000			15		5,400		5,415
9301006					1		1
9301009	(4)						(4)
9301010		6	4		8	1	19
9301015			926		62		988
Total	246,921	1,543	14,734	3,774	41,922	829	309,723

Kentucky Power Company

REQUEST

Please provide a listing, descriptions and test year expense dollar amounts of all promotional expenses included in the test year O&M expenses that are not already reflected in the \$290,880 advertising expenses listed in the response to KPSC-1-30, page 1. In addition, indicate in which expense account(s) these expenses are reflected.

RESPONSE

There are no additional promotional expenses that are not reflected in the \$290,880 advertising expense.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please expand the information on Section V, S-4, page 16 by including storm damage expense data and Handy-Whitman Contract Labor Index for the 12-month periods ended June 1996 through June 2002.

RESPONSE

Please see Commission Staff 2 nd Set Item No. 16.

WITNESS: Errol Wagner

Kentucky Power Company

REQUEST

With regard to the Net Line of Credit Fee adjustment shown on Section V, S-4, page 23, please provide the following information:

- a. Explain why they are “net” line of credit fees and explain the nature and purpose of these fees.
- b. Provide the equivalent actual net line of credit fees booked by the Company in 2001, 2002, 2003, and 2004.
- c. In which expense account are these net line of credit fees recorded?

RESPONSE

- a. The net line of credit fees are “net” due to the relative invested or borrowed position of each of the Transmission, Distribution, and Generation Kentucky Power Company business units as it relates to both affiliated and non-affiliated short-term borrowings and affiliated short-term investments in the Corporate Borrowing Program.
- b. Please see the attached spreadsheet.
- c. The net line of credit fees are recorded within the “Interest Short-term Debt-Affiliated” and “Interest Short-term Debt-non-Affiliated” accounts.

WITNESS: Errol K Wagner

Kentucky Power Company
 Net Line of Credit Fee
 Test Year Twelve Months Ended 6/30/05 and FYE 2001 through 2004

Ln No (1)	Description (2)	Amount (3)				
		<u>6/30/2005</u>	<u>12/31/2004</u>	<u>12/31/2003</u>	<u>12/31/2002</u>	<u>12/31/2001</u>
1	Actual Net Line of Credit Fee Recorded Accounts 430 & 431 for 12 months ended	348,448	697,173	1,104,058	1,751,226	2,328,601
4	Allocation Factor - GP - TOT	0.990	0.990	0.990	0.990	0.990
5	KPSC Jurisdictional Amount (Ln 3 x Ln 4)	<u>344,964</u>	<u>690,202</u>	<u>1,093,017</u>	<u>1,733,714</u>	<u>2,305,315</u>

Kentucky Power Company

REQUEST

With regard to the Vehicle Fuel cost adjustment on Section V, S-4, page 31, please provide the following information:

- a. Actual vehicle fuel costs (on equivalent basis as the June 2005 cost of \$88,488) and actual gallons of vehicle fuel consumed for each month of the test year and each month after the test year through October 2005.
- b. Indicate the O&M expense account in which the test year vehicle fuel expenses of \$862,596 are recorded.

RESPONSE

- a. Please refer to the response to Commission Staff 2nd Set, Item No. 18.
- b. Fuel expenses are part of our fleet costs and these costs are cleared to the appropriate O&M and Capital accounts following how labor is charged.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please provide the total adjusted Employee Benefit expense amount charged to O&M expense account 926 for the pro forma adjusted test year. Provide this O&M expense amount in total and as broken out between the unadjusted per books expenses and the pro forma expense adjustment amount.

RESPONSE

Test year per book expenses for account 926	\$3,528,053
Proposed adjustments in filing	<u>\$ 365,240</u>
Pro forma adjusted test year for account 926	\$3,893,293

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Exhibit DMR-1, page 2 shows total adjusted test year operating revenues (prior to the consideration of the YE customer adjustment) of \$337,148,564 and total adjusted O&M expenses of \$266,838,943. In this regard, please provide the following information:

- a. Confirm that the \$337,148,564 adjusted test year revenues include \$111,984,770 worth of fuel clause revenues and that the \$266,838,943 adjusted O&M expenses include the same amount of \$11,984,770 in fuel clause expenses (see Wagner testimony page 37). Please confirm this. If this is not correct, provide the correct information.

- b. Confirm that the Company's fuel clause revenues and associated fuel clause expenses are not recovered in base rates but, rather, are recovered and addressed in a separate rate mechanism, i.e., the Company's fuel adjustment clause.

RESPONSE

(a) Both amounts reflect a total fuel cost of \$111,984,770. The Adjusted Operation & Maintenance amount shown on Exhibit DMR-1, should be \$266,853,972 instead of the amount shown of \$266,868,943.

(b) The Company's fuel adjustment clause only recovers (or credits) differences in fuel expenses from the levels included in base rates. During the test year, the Company's base rates included an amount of 1.2 cents per kWh for fuel. The Company's proposed base rates include 1.651 cents per kWh for fuel.

WITNESS: David M Roush

Kentucky Power Company

REQUEST

The year-end customer revenue annualization adjustment on Exhibit DMR-1, page 1 is based on the comparison of actual June 30, 2005 customers to average test year number of customers based on the 12-month average from July 2004 through June 2005. Please redo the revenue annualization analysis on Exhibit DMR-1, page 1 by using the 13-month average customer level starting with the actual customers as of June 30, 2004.

RESPONSE

The Company has not prepared such an analysis.

WITNESS: David M Roush

Kentucky Power Company

REQUEST

With regard to the System Sales adjustment shown on Section V, S-4, page 26 and discussed in Mr. Wagner's testimony pages 35-37, please provide the following information:

- a. How exactly was the actual test year System Sales profit level of \$26,907,605 recorded on the Company's books and where exactly is this profit level of \$26,907,605 reflected in the revenue and/or expense accounts shown in the response to KPSC-1-12.
- b. Mr. Wagner states that \$11.3 million of the \$26.9 million was reflected as a credit in the cost of service for the test year. Describe in detail how this was accomplished, in which accounts this \$11.3 million was booked and where it is reflected in the expense accounts shown in the response to KPSC-1-12.
- c. Is the Company in this case proposing to replace the current \$11.3 million cost of service credit built into the base rates with a new cost of service credit level of \$24.855 million to be built into the base rates? If so, how exactly is this accomplished? If not, explain why not and what the correct interpretation of the Company's proposal is.

RESPONSE

- a. The revenues associated with System Sales are recorded in account 447. The out-of-pocket expenses associated with System Sales are recorded in accounts 555 and 556. When the Company reclassified the System Sales revenues as a negative O&M expense, the net result was to reduce the cost-of-service by the test year level \$26,907,605 of System Sales Profit. Section V, Workpaper S-4, page 26 reflects an adjustment to the level of test year System Sales profit to incorporate the environmental costs allocated to the System Sales transactions for the test year months July, 2004 through October, 2004.
- b. The \$11.3 million of System Sales profit was the level of System Sales profit used in the Company's last rate case to calculate the test year cost-of-service. This was accomplished by again reclassifying the System Sales revenues as a negative O&M expense. The base level of System Sales profit used in the monthly calculation of the System Sales Clause is again the same \$11.3 million. The Company's test year level of System Sales profit was \$26.9 million. The \$15.6 million above the base level (\$26.9 million - \$11.3 million) was split with the retail customers on a 50/50 basis and credited to their monthly bills during the test year by way of the System Sales Clause.

c. Yes. By reclassifying the test year System Sales revenues as a negative expense will result in reducing the test year cost-of-service by \$26.9 million dollars. Then by increasing the test year O&M expenses by the \$2,052,279 adjustment reflected on Section V Workpaper S-4 page 26 in turn adjusts the System Sales profit level included in the test year cost-of-service to \$24.9 million.

In reviewing the Company's proposed System Sales tariff (Exhibit EKW-5 page 75 of 103 and Section III page 317 of 373) the Company discovered that the total base net revenue from the System Sales Tariff (paragraph 4) totals to \$26.9 million instead the adjusted level of \$24.9 million shown on the filed page.

Attached are the revised pages, which reflect the \$24.9 million level of System Sales profit.

WITNESS: Errol K Wagner

KENTUCKY POWER COMPANY

Exhibit EKW-5
 Page 75 of 103
 Revised

Original Sheet No. 19-1
 Canceling _____ Sheet No. 19-1

P.S.C. ELECTRIC NO. 8

TARIFF S. S. C.
(System Sales Clause)

APPLICABLE.

To Tariffs R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., S.G.S., M.G.S., M.G.S.-T.O.D., L.G.S., Q.P., C.I.P.-T.O.D., C.S.-I.R.P., M.W., O.L., and S.L.

RATE.

1. When the monthly net revenues from system sales are above or below the monthly base net revenues from system sales, as provided in paragraph 3 below, an additional credit or charge equal to the product of the KWHs and a system sales adjustment factor (A) shall be made, where "A", calculated to the nearest 0.0001 mill per kilowatt-hour, is defined as set forth below.

$$\text{System Sales Adjustment Factor (A)} = (.5[T_m - T_b])/S_m$$

In the above formula "T" is Kentucky Power Company's (KPCo) monthly net revenues from system sales in the current (m) and base (b) periods, and "S" is the Kwh sales in the current (m) period, all defined below.

2. The net revenue from American Electric Power (AEP) System deliveries to non-associated companies that are shared by AEP Member Companies, including KPCo, in proportion to their Member Load Ratio and as reported in the Federal Energy Regulatory Commission's Uniform System of Accounts under Account 447, Sales for Resale, shall consist of and be derived as follows:

3.
 - a. KPCo's Member Load Ratio share of total revenues from system sales as recorded in Account 447. less b. and c. below.
 - b. KPCo's Member Load Ratio share of total out-of-pocket costs incurred in supplying the power and energy for the deliveries in a. above.

The out-of-pocket costs include all operating, maintenance, tax, transmission losses and other expenses that would not have been incurred if the power and energy had not been supplied for such deliveries, including demand and energy charges for power and energy supplied by Third Parties.

3.
 - c. KPCo's environmental costs allocated to non-associated utilities in the Company's Environmental Surcharge Report.

4. The base monthly net revenues from system sales are as follows:

Billing Month	Base Net Revenues from System Sales (Total Company Basis)
January	\$ 895,960 \$2,661,693
February	767,802 \$2,236,268
March	893,126 \$1,732,591
April	1,036,738 \$2,706,860
May	1,085,852 \$2,365,563
June	1,324,166 \$3,101,556
July	1,027,403 \$2,658,364
August	1,154,184 \$1,660,434
September	912,736 \$1,497,772
October	731,014 \$ 950,190
November	624,320 \$1,258,779
December	862,035 \$2,025,256

(Cont'd on Sheet No. 19-2)

(I)
(I)
(I)
(I)
(I)
(I)
(I)
(I)
(I)
(I)

DATE OF ISSUE October 7, 2005 DATE EFFECTIVE Service rendered on and after October 27, 2005

ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY
 NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No.2005-0000 dated

TARIFF S. S. C.
(System Sales Clause)

APPLICABLE.

To Tariffs R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., S.G.S., M.G.S., M.G.S.-T.O.D., L.G.S., Q.P., C.I.P.-T.O.D., C.S.-I.R.P., M.W., O.L., and S.L.

RATE.

1. When the monthly net revenues from system sales are above or below the monthly base net revenues from system sales, as provided in paragraph 3 below, an additional credit or charge equal to the product of the KWHs and a system sales adjustment factor (A) shall be made, where "A", calculated to the nearest 0.0001 mill per kilowatt-hour, is defined as set forth below.

$$\text{System Sales Adjustment Factor (A)} = (.5[T_m - T_b])/S_m$$

In the above formula "T" is Kentucky Power Company's (KPCo) monthly net revenues from system sales in the current (m) and base (b) periods, and "S" is the Kwh sales in the current (m) period, all defined below.

2. The net revenue from American Electric Power (AEP) System deliveries to non-associated companies that are shared by AEP Member Companies, including KPCo, in proportion to their Member Load Ratio and as reported in the Federal Energy Regulatory Commission's Uniform System of Accounts under Account 447, Sales for Resale, shall consist of and be derived as follows:

3.
 - a. KPCo's Member Load Ratio share of total revenues from system sales as recorded in Account 447, less b. and c. below.
 - b. KPCo's Member Load Ratio share of total out-of-pocket costs incurred in supplying the power and energy for the deliveries in a. above.

The out-of-pocket costs include all operating, maintenance, tax, transmission losses and other expenses that would not have been incurred if the power and energy had not been supplied for such deliveries, including demand and energy charges for power and energy supplied by Third Parties.

3.
 - c. KPCo's environmental costs allocated to non-associated utilities in the Company's Environmental Surcharge Report.

4. The base monthly net revenues from system sales are as follows:

<u>Billing Month</u>	<u>Base Net Revenues from System Sales (Total Company Basis)</u>
January	\$ 895,960 \$2,661,693
February	767,802 \$2,236,268
March	893,126 \$1,732,591
April	1,036,738 \$2,706,860
May	1,085,852 \$2,365,563
June	1,324,166 \$3,101,556
July	1,027,403 \$2,658,364
August	1,154,184 \$1,660,434
September	912,736 \$1,497,772
October	731,014 \$ 950,190
November	624,320 \$1,258,779
December	862,035 \$2,025,256

(Cont'd on Sheet No. 19-2)

(I)
(I)
(I)
(I)
(I)
(I)
(I)
(I)
(I)
(I)

DATE OF ISSUE October 7, 2005 DATE EFFECTIVE Service rendered on and after October 27, 2005

ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY
 NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No.2005-0000 dated _____

Kentucky Power Company

REQUEST

In the same format and detail as per Exhibit EKW-1, please provide the actual Capacity Equalization Settlement data shown in columns (1) through (7) for each month of the test year and for July 2005 through September 2005 or October 2005 (if available).

RESPONSE

Attached is the monthly Capacity Equalization Settlement data for the fifteen months July 2004 through September 2005.

WITNESS: Errol K Wagner

ACTUAL: July 2004

CALCULATION OF MEMBER PRIMARY CAPACITY
 SURPLUS/(DEFICIT) KW AND \$ SETTLEMENT

<u>MEMBER</u>	<u>MEMBER PRIMARY CAPACITY KW (APPENDIX II) (1)</u>	<u>MEMBER LOAD RATIO (APPENDIX I) (2)</u>	<u>PRIMARY CAPACITY KW RESERVATION (SYS. KW) * (2) (3)</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (4) = (1) - (3)</u>
APCO	5,899,000	0.29975	6,946,100	(1,047,100)
KPCO	1,450,000	0.07034	1,630,000	(180,000)
I&M	5,100,000	0.20194	4,679,600	420,400
OPCO	8,129,000	0.24373	5,647,900	2,481,100
CSP	2,595,000	0.18424	4,269,400	(1,674,400)
TOTAL	23,173,000	1.00000	23,173,000	

MEMBER CAPACITY \$ SETTLEMENT

<u>MEMBER</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (1)</u>	<u>CAPACITY RATE \$/kW * (2)</u>	<u>CREDIT (CHARGE) ** \$ (3)</u>
APCO	(1,047,100)	***** + *****	(8,952,193)
KPCO	(180,000)	***** + *****	(1,538,912)
I&M	420,400	8.75 + 4.40	5,528,260
OPCO	2,481,100	5.18 + 2.59	19,278,147
CSP	(1,674,400)	***** + *****	(14,315,302)

EQUALIZATION CAPACITY RATE: 8.5495112873
 (This is the average \$/kW rate paid by deficit members.)

NOTES:

* The sum of the Member's Primary Capacity Investment Rate (Appendix III) and the Member's Capacity Fixed Operating Rate (Appendix IV & V) applicable to Members having a Member Primary Capacity Surplus.

** Credits should be recorded in Account 447, Sales for Resale.
 Charges should be recorded in Account 555, Purchased Power.

ACTUAL: August 2004

**CALCULATION OF MEMBER PRIMARY CAPACITY
 SURPLUS/(DEFICIT) kW AND \$ SETTLEMENT**

MEMBER	MEMBER PRIMARY CAPACITY kW (APPENDIX II) (1)	MEMBER LOAD RATIO (APPENDIX I) (2)	PRIMARY CAPACITY kW RESERVATION (SYS. kW) * (2) (3)	SURPLUS (DEFICIT) CAPACITY kW (4) = (1) - (3)
APCO	5,899,000	0.29975	6,946,100	(1,047,100)
KPCO	1,450,000	0.07034	1,630,000	(180,000)
I&M	5,100,000	0.20194	4,679,600	420,400
OPCO	8,129,000	0.24373	5,647,900	2,481,100
CSP	2,595,000	0.18424	4,269,400	(1,674,400)
TOTAL	23,173,000	1.00000	23,173,000	

MEMBER CAPACITY \$ SETTLEMENT

MEMBER	SURPLUS (DEFICIT) CAPACITY kW (1)	CAPACITY RATE \$/kW * (2)	CREDIT (CHARGE) ** \$ (3)
APCO	(1,047,100)	***** + *****	(8,488,882)
KPCO	(180,000)	***** + *****	(1,459,267)
I&M	420,400	8.75 + 4.12	5,410,548
OPCO	2,481,100	5.18 + 2.12	18,112,030
CSP	(1,674,400)	***** + *****	(13,574,429)

EQUALIZATION CAPACITY RATE: 8.1070404963
 (This is the average \$/kW rate paid by deficit members.)

NOTES:

* The sum of the Member's Primary Capacity Investment Rate (Appendix III) and the Member's Capacity Fixed Operating Rate (Appendix IV & V) applicable to Members having a Member Primary Capacity Surplus.

** Credits should be recorded in Account 447, Sales for Resale.
 Charges should be recorded in Account 555, Purchased Power.

ACTUAL: September 2004

PAGE (3)

CALCULATION OF MEMBER PRIMARY CAPACITY
 SURPLUS/(DEFICIT) KW AND \$ SETTLEMENT

<u>MEMBER</u>	<u>MEMBER PRIMARY CAPACITY KW (APPENDIX II) (1)</u>	<u>MEMBER LOAD RATIO (APPENDIX I) (2)</u>	<u>PRIMARY CAPACITY KW RESERVATION (SYS. KW) * (2) (3)</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (4) = (1) - (3)</u>
APCO	5,899,000	0.30687	7,111,100	(1,212,100)
KPCO	1,450,000	0.07202	1,668,900	(218,900)
I&M	5,100,000	0.19739	4,574,100	525,900
OPCO	8,129,000	0.24650	5,712,200	2,416,800
CSP	2,595,000	0.17722	4,106,700	(1,511,700)
TOTAL	23,173,000	1.00000	23,173,000	

MEMBER CAPACITY \$ SETTLEMENT

<u>MEMBER</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (1)</u>	<u>CAPACITY RATE \$/kW * (2)</u>	<u>CREDIT (CHARGE) ** \$ (3)</u>
APCO	(1,212,100)	***** + *****	(10,138,914)
KPCO	(218,900)	***** + *****	(1,831,044)
I&M	525,900	8.75 + 4.37	6,899,808
OPCO	2,416,800	5.18 + 2.15	17,715,144
CSP	(1,511,700)	***** + *****	(12,644,994)

EQUALIZATION CAPACITY RATE: 8.3647507391
 (This is the average \$/kW rate paid by deficit members.)

NOTES:

* The sum of the Member's Primary Capacity Investment Rate (Appendix III) and the Member's Capacity Fixed Operating Rate (Appendix IV & V) applicable to Members having a Member Primary Capacity Surplus.

** Credits should be recorded in Account 447, Sales for Resale.
 Charges should be recorded in Account 555, Purchased Power.

ACTUAL: October 2004

PAGE (3)

CALCULATION OF MEMBER PRIMARY CAPACITY
 SURPLUS/(DEFICIT) KW AND \$ SETTLEMENT

<u>MEMBER</u>	<u>MEMBER PRIMARY CAPACITY KW (APPENDIX II) (1)</u>	<u>MEMBER LOAD RATIO (APPENDIX I) (2)</u>	<u>PRIMARY CAPACITY KW RESERVATION (SYS. KW) * (2) (3)</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (4) = (1) - (3)</u>
APCO	5,899,000	0.30709	7,116,200	(1,217,200)
KPCO	1,450,000	0.07207	1,670,100	(220,100)
I&M	5,100,000	0.19752	4,577,100	522,900
OPCO	8,129,000	0.24667	5,716,100	2,412,900
CSP	2,595,000	0.17665	4,093,500	(1,498,500)
TOTAL	23,173,000	1.00000	23,173,000	

MEMBER CAPACITY \$ SETTLEMENT

<u>MEMBER</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (1)</u>	<u>CAPACITY RATE \$/kW * (2)</u>	<u>CREDIT (CHARGE) ** \$ (3)</u>
APCO	(1,217,200)	***** + *****	(10,270,373)
KPCO	(220,100)	***** + *****	(1,857,139)
I&M	522,900	8.75 + 4.43	6,891,822
OPCO	2,412,900	5.18 + 2.23	17,879,589
CSP	(1,498,500)	***** + *****	(12,643,899)

EQUALIZATION CAPACITY RATE: 8.4377038627
 (This is the average \$/kW rate paid by deficit members.)

NOTES:

* The sum of the Member's Primary Capacity Investment Rate (Appendix III) and the Member's Capacity Fixed Operating Rate (Appendix IV & V) applicable to Members having a Member Primary Capacity Surplus.

** Credits should be recorded in Account 447, Sales for Resale.
 Charges should be recorded in Account 555, Purchased Power.

November 2004

**CALCULATION OF MEMBER PRIMARY CAPACITY
 SURPLUS/(DEFICIT) KW AND \$ SETTLEMENT**

MEMBER	MEMBER PRIMARY CAPACITY KW (APPENDIX II) (1)	MEMBER LOAD RATIO (APPENDIX I) (2)	PRIMARY CAPACITY KW RESERVATION (SYS. KW) * (2) (3)	SURPLUS (DEFICIT) CAPACITY KW (4) = (1) - (3)
APCO	5,899,000	0.30709	7,116,200	(1,217,200)
KPCO	1,450,000	0.07207	1,670,100	(220,100)
I&M	5,100,000	0.19752	4,577,100	522,900
OPCO	8,129,000	0.24667	5,716,100	2,412,900
CSP	2,595,000	0.17665	4,093,500	(1,498,500)
TOTAL	23,173,000	1.00000	23,173,000	

MEMBER CAPACITY \$ SETTLEMENT

MEMBER	SURPLUS (DEFICIT) CAPACITY KW (1)	CAPACITY RATE \$/kW * (2)	CREDIT (CHARGE) ** \$ (3)
APCO	(1,217,200)	***** +	(9,917,385)
KPCO	(220,100)	***** +	(1,793,310)
I&M	522,900	8.75 + 4.14	6,740,181
OPCO	2,412,900	5.18 + 1.94	17,179,848
CSP	(1,498,500)	***** +	(12,209,334)

EQUALIZATION CAPACITY RATE: 8.1477038627
 (This is the average \$/kW rate paid by deficit members.)

NOTES:

* The sum of the Member's Primary Capacity Investment Rate (Appendix III) and the Member's Capacity Fixed Operating Rate (Appendix IV & V), applicable to Members having a Member Primary Capacity Surplus.

** Credits should be recorded in Account 447, Sales for Resale.
 Charges should be recorded in Account 555, Purchased Power.

ACTUAL: December 2004

PAGE (3)

CALCULATION OF MEMBER PRIMARY CAPACITY
 SURPLUS/(DEFICIT) kW AND \$ SETTLEMENT

<u>MEMBER</u>	<u>MEMBER PRIMARY CAPACITY kW (APPENDIX II) (1)</u>	<u>MEMBER LOAD RATIO (APPENDIX I) (2)</u>	<u>PRIMARY CAPACITY kW RESERVATION (SYS. kW) * (2) (3)</u>	<u>SURPLUS (DEFICIT) CAPACITY kW (4) = (1) - (3)</u>
APCO	5,899,000	0.30709	7,116,200	(1,217,200)
KPCO	1,450,000	0.07207	1,670,100	(220,100)
I&M	5,100,000	0.19752	4,577,100	522,900
OPCO	8,129,000	0.24667	5,716,100	2,412,900
CSP	2,595,000	0.17665	4,093,500	(1,498,500)
TOTAL	23,173,000	1.00000	23,173,000	

MEMBER CAPACITY \$ SETTLEMENT

<u>MEMBER</u>	<u>SURPLUS (DEFICIT) CAPACITY kW (1)</u>	<u>CAPACITY RATE \$/kW * (2)</u>	<u>CREDIT (CHARGE) ** \$ (3)</u>
APCO	(1,217,200)	***** + *****	(10,310,285)
KPCO	(220,100)	***** + *****	(1,864,356)
I&M	522,900	8.75 + 5.86	7,639,569
OPCO	2,412,900	5.18 + 1.96	17,228,106
CSP	(1,498,500)	***** + *****	(12,693,034)

EQUALIZATION CAPACITY RATE: 8.4704935622
 (This is the average \$/kW rate paid by deficit members.)

NOTES:

* The sum of the Member's Primary Capacity Investment Rate (Appendix III) and the Member's Capacity Fixed Operating Rate (Appendix IV & V) applicable to Members having a Member Primary Capacity Surplus.

** Credits should be recorded in Account 447, Sales for Resale.
 Charges should be recorded in Account 555, Purchased Power.

ACTUAL: January 2005

PAGE (3)

CALCULATION OF MEMBER PRIMARY CAPACITY
 SURPLUS/(DEFICIT) KW AND \$ SETTLEMENT

<u>MEMBER</u>	<u>MEMBER PRIMARY CAPACITY KW (APPENDIX II) (1)</u>	<u>MEMBER LOAD RATIO (APPENDIX I) (2)</u>	<u>PRIMARY CAPACITY KW RESERVATION (SYS. KW) * (2) (3)</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (4) = (1) - (3)</u>
APCO	5,899,000	0.33041	7,656,600	(1,757,600)
KPCO	1,450,000	0.07537	1,746,500	(296,500)
I&M	5,100,000	0.18905	4,380,900	719,100
OPCO	8,129,000	0.23609	5,470,900	2,658,100
CSP	2,595,000	0.16908	3,918,100	(1,323,100)
TOTAL	23,173,000	1.00000	23,173,000	

MEMBER CAPACITY \$ SETTLEMENT

<u>MEMBER</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (1)</u>	<u>CAPACITY RATE \$/kW * (2)</u>	<u>CREDIT (CHARGE) ** \$ (3)</u>
APCO	(1,757,600)	***** + *****	(14,728,622)
KPCO	(296,500)	***** + *****	(2,484,659)
I&M	719,100	9.40 + 3.97	9,614,367
OPCO	2,658,100	5.32 + 1.71	18,686,443
CSP	(1,323,100)	***** + *****	(11,087,529)

EQUALIZATION CAPACITY RATE: 8.3799626910
 (This is the average \$/kW rate paid by deficit members.)

NOTES:

* The sum of the Member's Primary Capacity Investment Rate (Appendix III) and the Member's Capacity Fixed Operating Rate (Appendix IV & V) applicable to Members having a Member Primary Capacity Surplus.

** Credits should be recorded in Account 447, Sales for Resale.
 Charges should be recorded in Account 555, Purchased Power.

ACTUAL: February 2005

PAGE (3)

CALCULATION OF MEMBER PRIMARY CAPACITY
 SURPLUS/(DEFICIT) kW AND \$ SETTLEMENT

<u>MEMBER</u>	<u>MEMBER PRIMARY CAPACITY kW (APPENDIX II) (1)</u>	<u>MEMBER LOAD RATIO (APPENDIX I) (2)</u>	<u>PRIMARY CAPACITY kW RESERVATION (SYS. kW) * (2) (3)</u>	<u>SURPLUS (DEFICIT) CAPACITY kW (4) = (1) - (3)</u>
APCO	5,899,000	0.32933	7,631,600	(1,732,600)
KPCO	1,450,000	0.07838	1,816,300	(366,300)
I&M	5,100,000	0.18844	4,366,700	733,300
OPCO	8,129,000	0.23532	5,453,100	2,675,900
CSP	2,595,000	0.16853	3,905,300	(1,310,300)
TOTAL	23,173,000	1.00000	23,173,000	

MEMBER CAPACITY \$ SETTLEMENT

<u>MEMBER</u>	<u>SURPLUS (DEFICIT) CAPACITY kW (1)</u>	<u>CAPACITY RATE \$/kW * (2)</u>	<u>CREDIT (CHARGE) ** \$ (3)</u>
APCO	(1,732,600)	***** + *****	(14,351,879)
KPCO	(366,300)	***** + *****	(3,034,222)
I&M	733,300	9.40 + 2.91	9,026,923
OPCO	2,675,900	5.32 + 1.86	19,212,962
CSP	(1,310,300)	***** + *****	(10,853,784)

EQUALIZATION CAPACITY RATE: 8.2834345301
 (This is the average \$/kW rate paid by deficit members.)

NOTES:

* The sum of the Member's Primary Capacity Investment Rate (Appendix III) and the Member's Capacity Fixed Operating Rate (Appendix IV & V) applicable to Members having a Member Primary Capacity Surplus.

** Credits should be recorded in Account 447, Sales for Resale.
 Charges should be recorded in Account 555, Purchased Power.

ACTUAL: March 2005

**CALCULATION OF MEMBER PRIMARY CAPACITY
 SURPLUS/(DEFICIT) KW AND \$ SETTLEMENT**

<u>MEMBER</u>	<u>MEMBER PRIMARY CAPACITY KW (APPENDIX II) (1)</u>	<u>MEMBER LOAD RATIO (APPENDIX I) (2)</u>	<u>PRIMARY CAPACITY KW RESERVATION (SYS. KW) * (2) (3)</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (4) = (1) - (3)</u>
APCO	5,899,000	0.32933	7,631,600	(1,732,600)
KPCO	1,450,000	0.07838	1,816,300	(366,300)
I&M	5,100,000	0.18844	4,366,700	733,300
OPCO	8,129,000	0.23532	5,453,100	2,675,900
CSP	2,595,000	0.16853	3,905,300	(1,310,300)
TOTAL	23,173,000	1.00000	23,173,000	

MEMBER CAPACITY \$ SETTLEMENT

<u>MEMBER</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (1)</u>	<u>CAPACITY RATE \$/kW * (2)</u>	<u>CREDIT (CHARGE) ** \$ (3)</u>
APCO	(1,732,600)	***** + *****	(15,034,850)
KPCO	(366,300)	***** + *****	(3,178,613)
I&M	733,300	9.40 + 3.21	9,246,913
OPCO	2,675,900	5.32 + 2.28	20,336,840
CSP	(1,310,300)	***** + *****	(11,370,290)

EQUALIZATION CAPACITY RATE: 8.6776231961
 (This is the average \$/kW rate paid by deficit members.)

NOTES:

* The sum of the Member's Primary Capacity Investment Rate (Appendix III) and the Member's Capacity Fixed Operating Rate (Appendix IV & V) applicable to Members having a Member Primary Capacity Surplus.

** Credits should be recorded in Account 447, Sales for Resale.
 Charges should be recorded in Account 555, Purchased Power.